Current Issues on Economic Development in East and Southeast Asia

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Publication date:
1991

Document Version
Publisher's PDF, also known as Version of record

Link to publication from Aalborg University

Citation for published version (APA):
Chaipan, C. (1991). *Current Issues on Economic Development in East and Southeast Asia*. Institut for Historie, Internationale Studier og Samfundsforhold, Aalborg Universitet.

AALBORG UNIVERSITY
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ARBEJDSPAPIRER

CURRENT ISSUES ON ECONOMIC DEVELOPMENT IN EAST AND SOUTHEAST ASIA

BY

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NO. 28

OCT. 1991

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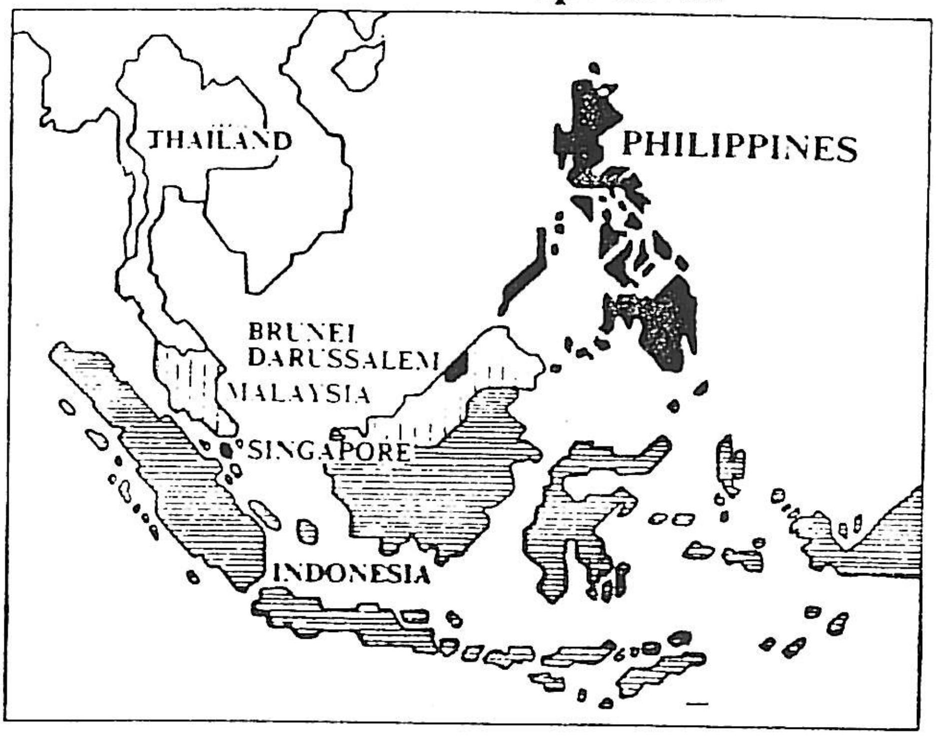
CURRENT ISSUES ON ECONOMIC DEVELOPMENT IN EAST AND SOUTHEAST ASIA

Economic Perspectives



Chaiwoot Chaipan

October 1991

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FOREWORD

This working paper "Current Issues on Economic Development in East and Southeast Asia" has been worked out when professor Chaiwoot Chaipan was a visiting professor at the Center for International Studies, Department of Development and Planning, Aalborg University in October and November 1991, sponsored by the Faculty of Social Sciences.

The paper was presented at a research seminar at the Center in November 1991.

I hope that professor Chaiwoot Chaipan's visit at the Center will mark the beginning of a fruitful academic cooperation between Chulalonghorn University and Aalborg University.

Jacques Hersh
Professor, Dr. Scient. Soc.

I REGIONAL INTEGRATION IN ASIA: ASEAN

1.1. An Overview

ASEAN was established in 1967 when Indonesia, Malaysia, the Philippines, Singapore and Thailand came together in a loose association.

The motive for ASEAN's establishment was mainly political.

All five ASEAN members have ambitions for continued strong industrial growth, based partly on the expansion of manufactured exports.

They have very different populations, histories, political structures economic organizations and cultures.

Historically, the role of four of the five ASEAN members in the international economies was to supply industrial raw materials and foodstuffs.

Singapore, the fifth member, was for long a **service center** for the British Empire in the Far East.

Singapore, a British colony, was integrated closely into the Dutch Indonesian, British Malayan and independent Thai economies.

The five economies had relatively **little contact** with each other.

There have been important changes over the past decade, in particular with rapid industrial growth in all five countries.

Singapore has become a modern manufacturing and financial center and the entrepot trade supplying worldwide market.

Indonesia, **Malaysia**, the **Philippines** and **Thailand** remain specialized in the export of primary products and labor-intensive manufacturing products.

The share of manufactured goods in total exports has increased considerably over the past decade in all ASEAN countries.

The period of rapid growth in manufactured exports began later in Malaysia, the Philippines and Thailand, commencing in the late **1960s** and receiving **impetus** from the huge **expansion of world trade** in the early 1970s until the worldwide recession of 1974-75.
In each of the five countries real gross domestic product has expanded on average by more than 6% since the mid-1960s. The share of the manufacturing sector in total output has grown considerably over the past decade in all five countries.

All five countries have extensive **links** with the **advanced** industrial economies. The foreign trade of the **Philippines** had been focused almost exclusively on the **United States** and that of other ASEAN countries heavily on **Europe.**

The high shares of the industrial countries in the foreign trade of the ASEAN members derives mainly from the former's size **in world trade** rather from exceptionally close **bilateral linkages.**

Summary of economic statistics of ASEAN countries, 1988

	Indonesia	Malaysia	Philippines	Singapore	Thailand
Population (mill.)	166.4	16.1	57.3	2.6	52.6
Area (1.000 sq.km)	1 919	330	300	1	514
GNP per capita					
- $	490	1 830	560	7 410	810
- growth (%) (1965-86)	4.6	4.3	1.9	7.6	4.0
Inflation (%)					
- 1965-80	34.3	4.9	11.7	4.7	6.8
- 1980-86	8.9	1.4	18.2	1.9	3.0
Life expectancy at birth (years)	57	69	63	73	64

Source: World Bank, World Development Report, 1988

Malaysia was a much better endowed than Thailand was in the early 1960s. Clerical, professional and business **skills** had been developed. But **ethnic inequalities** made for economic as well as social and political difficulties.

Malaysia was one of the earliest and most successful exponents of the Green Revolution, and in highly productive and diversified export crops.

The export of manufactured goods has been successfully encouraged since the early 1960s. Malaysia benefited from the increase in **petroleum prices** in the late 1970s and early 1980s when it became a petroleum exporter.

Malaysia had one of the world's lowest inflation records due to an open banking system and prudent monetary policy.

The government hopes that by 2020 Malaysia will be a fully developed country. Over the past 30 years the average growth rate was 6.3% a year and was 10% in 1990. In each of the next three decades the economy will double in size.

According to World Bank figures, the percentage of Malaysians living below the official poverty line fell impressively, from 37% in 1973 to 15% in 1987.

But in Indonesia the incidence of poverty fell faster from 58% in 1970 to 17% in 1987.

Racial discrimination has been the cornerstone of the New Economic Policy since 1970. The NEP's fixation is with the percentage of Malaysian companies controlled by the different ethnic groups.

In 1970 foreigners owned roughly 60% of the shares in local companies; Chinese held 30%; Malays less than 2%. At present, Malay holding leaves short of 30% target and meanwhile the proportion of Chinese-held stock has increased to just over its limit of 40%.

Indonesia's economic performance improved greatly. Indonesia is now self-sufficient in rice.

Macroeconomic management is difficult. A repressed financial system combined with highly protected domestic sectors stimulated leagues of savings abroad and encouraged foreign borrowing without creating the necessary export income to service foreign debt. The role of petroleum in the economy is declining.

Present industrialization policies, through protection, tax incentives, restrictive regulations, and direct public investment encourage large publicly and foreign-owned enterprise but discourage small-sized and medium-sized enterprises.

The Philippines was one of the most advanced countries in the Asian region in the 1950s. Its resources and access to the United States market promised rapid growth.

However, for by the late 1950s the neglect of agriculture and the costs of a highly protected and regulated manufacturing sector slowed growth and introduced balance of payment problems.

The economy remained structurally weak, with poor financial, monetary and fiscal policies adding to low agricultural and industrial productivity.

1.2. The Process and Mechanism of Economic Cooperation

The wheels of ASEAN cooperation only started to turn after 1975, following the end of the Vietnam war. The first Summit in Bali in February 1976 led to the signing of the Declaration of ASEAN Concord, which formally set out some guidelines for more concrete regional economic cooperation.

The ASEAN organization is simple but well-structured. The ASEAN Secretariat is only a coordinating body, operating through a series of working committees, which in turn are serviced by a host of subcommittees, expert groups ad hoc working groups, and other subsidiaries.

The highest policy making body is the ASEAN Ministerial Meeting, which takes place at infrequent intervals.

From the outset, the ASEAN leaders were fully aware that their economies are open and outward-looking in term of foreign investment and foreign trade and that ASEAN should not disengage itself from interaction with the world economic processes.

There are no anti-foreign investment regulations in the ASEAN economic cooperation process.

In short, the basic strategy of ASEAN economic cooperation, with its flexible and open-ended processes, liberal and open-minded treatment of foreign economic elements, and its unique consensus-based decision-making procedures, has given rise to a laissez-faire type of regional scheme.

In 1972 the UN team recommended three principal techniques for promoting economic cooperation among the ASEAN countries. These are:

1) Selective trade liberalization for specific commodities to be implemented through intergovernmental negotiations.
2) Industrial complementation to be negotiated through the initiative of the private sector but with the aid of appropriate tariff concessions from government.
3) package deal arrangements in the form of joint industrial projects.

In short ASEAN economic cooperation has three major components:

1) Preferential Trading Arrangements
2) ASEAN Industrial Projects
3) ASEAN Industrial Complementation.

- Preferential Trading Arrangement

Initially, tariff reductions followed a voluntary approach, with all member countries undertaking to extend tariff preference on a product-by-product basis. Implemented in 1978, voluntary offers started with ten commodity items per country, it was increased to around 16,000 items, 1991.

It is difficult to calculate the precise effect of PTA preferences on intra ASEAN trade because there is no central authority to monitor results.

Whichever figure is considered, the volume of intra-ASEAN trade created by PTA is insignificant.

- ASEAN Industrial Projects, AIP

The first package of AIP: Urea projects for Indonesia and Malaysia, a diesel engine project for Singapore, a superphosphate project for the Philippines, and a soda-ash project for Thailand.

The progress of the AIP program has been slow. By early 1984, some seven years later, only the project in Indonesia had been completed. The feasibility study of the soda-ash project in Thailand was barely concluded, while the remaining two projects allocated to the philippines and Singapore had been officially withdrawn.

- ASEAN Industrial Complementation, AIC

The Basic Agreement of ASEAN Industrial Complementation was signed in 1980.

The institutional machinery for the AIC program is complex. It would seem that only the automobile industry is regarded in ASEAN as having good potential for industrial complementation.

It was with a view to stepping up progress in industrial complementation that a new concept, namely, ASEAN Industrial Joint Ventures (AIJVs) was introduced. Most of the projects approved were for the manufacture of motorcycle and motorcar parts.

The main thrust of ASEAN cooperation on trade and industrialization should be towards the strengthening of ASEAN suppliers in the markets of third countries. ASEAN to date has shown a healthy attachment to outward-looking trade strategies.

Some doubts are expressed about whether the contemporary international economy can support thoroughly outward-looking industrial strategies in the ASEAN countries.

ASEAN industrialization in the longer run must rely mainly on wider world markets for manufactures, and the collective approach will be helpful in securing access to markets.

The Philippines and Thailand have followed broadly similar historical paths in their trade policies. Both countries experienced a period of strong industrial growth induced by high protection. The Philippines mainly in the 1950s and Thailand in the 1960s. The Philippines moved to more export oriented policies in the 1970s.

Malaysia's trade policies have been much less protectionist than those of the Philippines or Thailand. Malaysia too experienced a period of rapid industrial growth through import substitution. In the 1960s.

Indonesia experienced strong domestic-market-oriented industrial growth under the Sucharto government since 1966. This has occurred under pervasive protection.

Singapore's impressive industrial growth since the mid-1960s has been strongly oriented towards foreign market and has occurred without protection from import competition. Singapore's general labor skills were well developed and wage rates relatively high. Since 1965 strong growth has led to labor scarcity and has forced adjustment of industrial production further into specialization in more capital-intensive commodities. Singapore's heavy reliance on foreign enterprise may inhibit this process.

1.3. Asean Trade Issues

Given the heterogeneous nature of the ASEAN grouping, the issues that ASEAN countries have brought up in the Uruguay Round diverse considerably.

OLD ISSUES

Trade in agriculture

Indonesia's agricultural imports are dominated by items such as cereals. Its interest in agricultural trade issues in the current MTN round is the interest of the importers.

Malaysia raises the issue of protection against palm oil imports by the EC and subsidy for soy been production by the U.S. in the multilateral trade talks.

The Philippines has no interest in MTN issues relating to agriculture, because the bulk of its agricultural exports are directed at the U.S. market. The Philippines could resort to bilateral solutions.

Thailand pays a lot of attention to agricultural trade in the MTN, because Thai exports of agricultural products, especially rice, cassava, sugar, and maize, have been badly hurt by unfair trade practices. Thailand played a key role in the formation of the Cairns Group and persuaded Indonesia, Malaysia and the Philippines to lend support.

Trade in Manufactures

Of immediate concern to ASEAN are the tariffs on textiles, footwear, wood products and electronics and electrical goods.

It appears that ASEAN countries would gain more from Most-Favored-Nation Treatment (MFN) tariff reductions without quantitative restrictions as they are fairly competitive in the products currently covered by the GSP schemes.

Other Areas

The MFA represents a gray area measure that falls outside the ambit of GATT. The current MFA IV has widened the coverage of MFA, which means that more and more textile and clothing items are now subject to greater control.

ASEAN countries do recognize the need for bringing textiles and clothing trade within the GATT rules and discipline.

Another area of grave concern to ASEAN is the safeguards issue. As is well known, Article XIX of GATT permits import restrictions if imports cause or threaten serious injury to domestic producers.
The consensus among ASEAN countries seems to be that safeguard measures should be set on a degressive scale under the surveillance and scrutiny of GATT.

Issues relating to subsidies, countervailing duties (CVD) and dumping activities are also of considerable concern to ASEAN countries.

Export products to the U.S. under CVD investigations were:
- Malaysia' steel wire rods, thermoplugs, welded carbon steel pipe and tube products
- Thai rice
- Indonesia's textile

NEW ISSUES

Trade in service

Banking, insurance, and transportation and telecommunication represent the most important segments of the highly protected services industries in Indonesia, Malaysia and the Philippines. It is feared that liberalization of services trade would result in bigger deficits which these countries can hardly afford.

Thailand appears to be enthusiastic about liberalization of services trade, because it try to explore the new opportunities for its tourist industry and construction services.

It is believed that liberalization of services trade will lead to significant gains for Singapore as it possesses comparative advantage in certain service industries such as financial services trade, engineering consultancies, medical services, and computer software.

ASEAN countries may prefer sector-specific agreements on services such as the U.N. convention on shipping and International Telecommunication Union. They will justify the protection for the services such as banking, insurance, and telecommunications on infant industry grounds.

Intellectual Property Rights

Both the United States and the EC have stepped up their efforts to enforce the protection of intellectual property rights.

Malaysia and Singapore have recently enacted copyright laws, while Indonesia had passed a law on Manufacturer's Marks and Trade Marks in 1961 and enacted a law on copyright in 1982. Indonesia is currently formulating a patent law as well as amendments to the laws on trade marks and copyrights.

The U.S. has been urging Thailand to revise its patent and copyright laws in line with the U.S. laws so as to grant protection to foreign interests.

Trade-Related Investment Measures (TRIM)

TRIM refers to regulations governing foreign investment and trade-related performance requirements imposed on foreign investors in the host countries.

The effects of these measures are similar to those of border taxes and subsidies and therefore they should be included in the present MTN agenda.

Domestic market-oriented activities are more or less closed to foreign investors in most ASEAN countries, while generous fiscal and other incentives are given to foreign investors to go into export-oriented manufacturing.

Singapore seems to be most liberal among ASEAN countries, primarily because all its activities are aimed at global market.

Trade distortions are also caused by domestic content requirements. Export-oriented manufacturing activities in general tend to have a much higher import content than import-substituting ones. This is especially the case for firms operating in the Export Processing Zones where local content in manufacturing is negligible.

1.4. Asean Free Trade Area

In fact, there are domestic constraints which would trend to limit the width and depth of tariff cuts that ASEAN countries can offer.

Indonesia has a high tariff profile. Indonesia's manufacturing sector is inward-looking and inefficient. Indonesia would resist significant tariff liberalization attempts.

Malaysia and Thailand have mild tariffs and their manufacturing industries seem mature enough. The outward-looking posture of their manufacturing sector makes it relatively easy for the governments to bring about tariff reform.

The Philippines position seems somewhat awkward. Its manufacturing sector has been protected for nearly three decades and find it difficult to bring about a market reorientation. The Philippine economy may not be able to withstand major tariff reductions.

Brunei and Singapore already have almost tariff-free trade regimes. Brunei is unlikely to make any concessions, as it has very little interest in the MTN outcomes. Singapore's concessions may take the form of deregulation, as its tariffs are already low.

II EC - ASEAN ECONOMIC RELATIONS

2.1. An Overview

External markets can support strong ASEAN export expansion. But the contemporary slow growth and protectionism in the advanced industrial economies are unfavorable.

The falling Japanese share in world exports of labor-intensive manufactures over the past decade has accommodated fully the massive increase in exports from other Northeast Asian countries.

Rapid industrial growth in Northeast Asia increased opportunities for exports of agricultural and raw materials from neighboring countries.

Japanese investments are more export-oriented than United States investment, being motivated by Japan's loss of comparative advantage in labor-intensive industries.

The massive Japanese presence has from time to time generated considerable tension in bilateral relations with several ASEAN countries.

China is important to ASEAN economic development as a market for raw materials and as a competing exporter of labor-intensive manufactures and some resource-based commodities.

There are good prospects for China's emergence as a major supplier of manufactured goods on world markets. This causes uncertainty and anxiety within ASEAN, because of the implications for competition in labor-intensive manufactured goods.

There is considerable economic advantage in close relations between Vietnam and ASEAN. It is of central importance to long-term political stability.

2.2. Issues on Trade and Investment

TRADE

Currently, the EC-ASEAN relationship is based on a group-to-group economic cooperation agreement concluded in 1980.

A large number of actions has been put in motion in various fields: training science and technology, trade promotion, energy industrial cooperation, joint investments development cooperation, and regional cooperation.

The EC is facing strong diverging national interests and internal conflicts, and it is not unlikely that LDC export interests (except those of ACP countries) will be sacrificed in order to maintain unity.

Trade preferences will be concentrated on least developed countries and are likely to be gradually frozen for major suppliers such as the ASEAN countries.

The ACP countries will continue to receive priority in EC trade policies.

FOREIGN DIRECT INVESTMENT (FDI)

The latest study, from the United Nations Center on Transnational Corporations (UNCTC), provides the first detailed look at the investment links between the three big blocks-America, the European Community and Japan - and their investment in the rest of the world.

In 1980, FDI was dominated by a single source-country, America, which accounted for about half of the total stock of outward FDI. The EC was at that time relatively fragmented. Overseas investment by Japanese companies was tiny.

Today it makes sense to look at the role of the Triad in global FDI.

Together, the three blocks now account for 81% of the total outward stock of FDI, compared with their 47% share of world export.

Investment by the three was stimulated by:
- the rush of companies positioning themselves in the EC before the creation of the single market.
- by Japanese companies' efforts to dodge rising costs at home and growing protectionism abroad.
- and by the growing importance of services in industrial economies. The deregulation in many countries of services like telecoms and banking also has boosted investment.

Investment between America and the EC accounts for four-fifths of this; outward investment from Japan is rising fast, but its inward investment remains minute.

The Triad is also the main source of FDI in the rest of the world. Recipients of FDI tend to be dominated by a Triad member in the same region; Latin America by the U.S:, Asia by Japan, Eastern Europe by the EC. American firms account for 61% of all FDI in Mexico, Japanese firms for 52% in South Korea.

FDI is increasingly important in economic development because of its close links to trade, financial flows and technology transfer. At present just five countries - Singapore, Brazil, Mexico, China and Hong Kong - account for more than half of all investment flows into the developing world.

The importance of a link to a Triad member is increasing. Developing countries that do not participate in regional integration efforts risk being left out in the cold.

The emergence of regional clusters may reduce the scope for using national policies to attract investment; if multinational companies look at regions rather than individual countries as sites for FDI, governments should frame their FDI policies in the context of the regional economy.

In the colonial period, two types of foreign investments in ASEAN were distinguishable. Firstly, there were the investments undertaken by British, Dutch and American corporation. Such investments were concentrated in resource-based activities such as plantation agriculture, forestry, and mineral and oil exploitation, but were generally absent in manufacturing.

Secondly, there were the investments undertaken by immigrant Chinese and Indian communities. These investments were unaccompanied by capital inflows, but they did result in alien ownership and control of resources and production facilities.

For the modern-day resource-based Western TNCs, their operations in ASEAN are often a partial carry-over of colonial investment. They are characterized by the major British, American and Dutch international oil and mineral companies. However, their operations led the governments in the host countries to impose royalties and taxes or to limit their equity participation and control through contracts of work and production sharing arrangements.

Japanese investors undertake direct investment in ASEAN countries in order to secure raw material supplies for the home market. The Japanese corporations are more ready to accept the local restrictions on foreign ownership and control.

Investments from developing Asia, and more particularly from the East Asian NICs have been increasing for a variety of reasons.

- risk diversification and hedge against economic and political uncertainties at home.
- evasion of home country exchange control and accumulation of overseas surpluses.
- the need to overcome the small size of the home market.
- the need to get the better of the restrictions from developed countries.

In relative terms, the EC countries as a group have been retreating from Southeast Asia, and thus ASEAN. Various factors have been at work:

- the process of political independence in ASEAN led to the loosening of old ties and the forging of new ones.
- there is the growing dominance of the U.S. and then Japan in the region.
- Western Europe has become more inward looking with the formation of the European Community and the EC single market.

Remarks:

- In the 1960s and 1970s the U.S. was the largest investor in ASEAN, but in the 1980s Japan was the largest.
- The EC share of investment in ASEAN has been declining.
- British investments were high in Malaysia and Singapore, and low in the Philippines, Thailand and Indonesia. Dutch investments were high in all five countries. West German and French investments were low in all five countries.
- The major EC investments were in food processing, chemical products, beverages and tobacco and petroleum products.
- The EC firms have generally higher export-orientation than the non-EC firms.

2.3. The Impact of the EC Single Market in 1992

The meaning of 1992 is that the Europeans were able to put aside their internal disputes and to agree on how and when to achieve what they set forth to do in 1957.

Non-EC countries stand to benefit from strengthened growth in the EC.

The 1992 Single Market will be more competitive than at present for both EC and non-EC operators.

The ASEAN region is one of the best placed to take advantage of the Single European Market.

The EC began to take important decisions in the trade and aid field vis-a-vis Poland and Hungary.

Non-European countries then started to express worries that the EC would give priority to Eastern Europe.

III ECONOMIC DEVELOPMENT IN THE ASIAN NICs

3.1. An Overview

Asian countries may be classified into **two groups**: the first is composed of predominantly agricultural, low-income, and slowly growing countries in **South Asia**: the second of middle-income, faster growing countries in **East and Southeast Asia**.

Countries in East and Southeast Asia can be subdivided into **two groups**.

The first group comprises Taiwan, Hong Kong, Korea and Singapore, or **NICs**, whose rapid rates of growth achieved through the strategy of promoting **exports of manufactures**.

The second comprises Indonesia, Malaysia, Philippines and Thailand which, through remaining dependent on the production and export of **primary commodities**, have experienced relative **rapid** industrialization.

The newly industrializing countries (NICs) are **no longer** less developed countries but **not yet** industrialized nations. The Asian NICs include Korea, Taiwan, Hong Kong, Singapore (China and India).

Since 1990 **The Asian dragon** or **the next Japans** have been exporting more manufactures than Japan. In 1990 Asia had a total current-account surplus of around $ 110 billion.

The economies of **Hong Kong** and **Singapore** are open and small. They have to **adjust** to international fluctuations quickly. The only instrument they command to damp down the effect of an international economic downturn on their economies is **control** over **migration**. The adjustment to changing international circumstances is **largely** carried out by **private entrepreneurs**.

The Asian NICs have clearly demonstrated that **rapid growth** leads to **poverty alleviation** and rapidly rising living standards. Falling underemployment and unemployment have been accompanied by **rising farm incomes** and **real** wages.

3.2. Current Economic Performance

SOUTH KOREA

In 1990, South Korea's **economy grew** at a real rate of **9.2%**. The government is predicting real GNP growth of **7%** in 1991.

Until the **1980s** Korea was in chronic current-account deficit; in **1986** it went into **surplus**. Between 1985 and 1989 the dollar value of exports more than doubled.

From the end of 1985 to mid-1989 Korean goods suffered a 22% **loss** in **competitiveness**. It is not surprising that the value of **exports** grew by a mere **3%** in 1990.

On the other side, the booming domestic economy drew in **15%** more **imports** in 1990 than it had done in 1989. Capital-goods imports, many of them for huge petrochemical projects, rose 14% in 1990. The value for **imported energy** was up by **42%**. The net result; a current account **deficit** in 1990 of $ **2.1** billion, and of $ 1.8 billion in January alone in 1991.

Strong demand helped push up consumer **prices** by **8.6%** in 1990. Over the years Korea's fast economic growth has done little to boost inflation. But since 1985 growth in the M2 measure of money has averaged 19% a year.

Fewer than **15%** of Koreans are still **rural**. Those who remain on the land have become richer. Between 1985 and 1990 average rural household incomes rose from $ 8,000 to $ 15,000.

In 1985, 50% of villagers had refrigerators and telephones, and 25% of them colour televisions.

6m **peasants** are still tilling tiny plots in a rice culture going back 12 centuries. Because they are **subsidized** and **protected** from foreign competition, the retail price of a kilo of Korean rice is $ 1.42. A kilo of Thai rice costs 85 cents.

SINGAPORE

In 1990 Singapore's real **GNP** grew by **8.5%** and inflation was only 3.4% lower than any where in Asia except Japan and Malaysia. Growth in 1991 is expected to be **5%**.

In 1990 exports equalled nearly 160% of the country's GDP. **America** is still a big market for Singapore's exports, and America is in recession.

Singapore dollar has been appreciating against the currencies of Singapore's three main trading rivals, Hong Kong, Taiwan and Korea.

The share of Singapore's export is produced by the 3,000-odd **foreign companies**. Over the past decade **productivity** in Singapore has risen fast, but not nearly as fast as nominal **wages**.

Singapore's trouble is that the **labor market** tends to get **tight**. During the 1990s the workforce is expected to grow by only **0.5 - 0.7 %**.

The new idea is the **growth triangle**, with Singapore at the apex, the Malaysian state of Jahore to the north, and northern Sumatra and a string of Indonesian islands to the south.

The idea is picking up speed. The first stage of a 60,000 hectare industrial park, in which the Indonesian government has invested $ 570m, has just opened on the Indonesian island of Batam.

The aim is to encourage a process that has already started; a shift of labor-intensive manufacturing away from Singapore to its lower-cost neighbors.

Singapore's well-educated workforce will specialize in research and development, marketing, finance and other services.

The government wants to squeeze from **service industries** alone the entire **4%** of annual productivity increases for the economy as a whole.

However, wages have risen sharply, as have office rent when more foreign investors have arrived in Singapore.

TAIWAN

Taiwan's relative weakness is finance.

The cash generated by years of huge current-account **surpluses** in the mid-1980s lifts the prices of assets - particularly **property** and equities to absurd **heights**.

Money supply rose almost 300% over the years 1985-89, while real GNP went up by only 30%. Consumer-price inflation did not go much above 4%, but asset price inflation more than made up for that.

The Taipei **stockmarket index** rose from **1,000** in 1987 to more than 12,000 in February 1990. But they money supply shrank in 1990 and the stockmarket index fell by **80%** in that year. Real GDP rose only by 5.1% in 1990.

At the beginning of 1991 the planners expected the economy to grow by only 6%. Now they are hoping for **7%**.

Over 1987-89 wages rose by 45%; manufactures unit **labour costs** rose **43%** from mid-1988 to mid-1989 alone.

The government is determined to spend $ 300 billion on public works between 1991 and 1996.

A **saving** rate still above 30%, domestic government debt equal to only 2% of GNP and a **foreign-debt-service** ratio below 1%.

Taiwan surplus with Europe more than doubled, but that was from a low base.

Taiwan's **exports** to Hong Kong rose by more than half, to some $ 6 billion. Practically all of that was destined for China; raw and intermediate materials headed for the thousands of Taiwanese owned factories on the mainland.

HONGKONG

In 1997 Hongkong, the British colony, will revert unwillingly to Chinese sovereignty.

Wage rates in Hongkong are rising, **property prices** are almost as high as Tokyo's, and **inflation** is nudging into double figures.

The result is that Hongkong money is now financing everything from buildings in Manila to electro-plating factories in Indonesia.

According to the Hongkong Bank, the colony now accounts for roughly a quarter of the direct foreign investment made in countries from Thailand to Japan.

More than $ 20 billion of the $ 26 billion committed by Hongkong in the 1980s has gone to **China**.

In 1989 Hongkong committed $ 4.6 billion for direct investment in Asia; even Japan committed only $ 8.2 billion.

Hongkong's direct foreign investment **started very late**. Fully half of its direct foreign investment has been made since **1986**.

The **political advantage** to Hongkong's reaching out is that, the more it invests abroad, the safer it may be from Chinese interference after 1997.

3.3. America and the Asian NICs

In 1986 the NICs accounted for one-fourth of the U.S: trade deficit.

NICs are active trading nations. The decline of the dollar since 1985 is unlikely to have a major impact on the U.S. deficit with the NICs for four reason:

- the currencies of the four "Asian Tigers" are more or less tied to the dollar.
- the currencies of Mexico, Brazil, and China have not appreciated against the dollar.
- debt service requirements create overwhelming pressure for highly indebted NICs to run trade surpluses.
- companies that have closed plants in the U.S. and established foreign sourcing supply lines in the NICs will not readily abandon these arrangements in response to a lower dollar.

By contrast, the proportion of NIC exports to the EC has actually declined.

The **composition** of NIC exports is shifting. The NICs have focused on the **export** of **manufactured goods**, including **more sophisticated** manufactured goods.

U.S. protectionist **pressures** have **focused** on the **NICs** because of the large absolute size of their trade surpluses with the U.S., their relatively closed markets, and the perceived propensity of some NICs to **violate intellectual** property rights, international labor standards, and **human rights.**

The Asian NICs argue that:

- their export success is due to their ability to **combine modern technology** with **high productivity** and low wages.
- they have responded positively to U.S. calls for **reduced import barriers**, removal of subsidies and greater protection of intellectual property rights.
- they have embarked on privatization programs to **reduce** the **role of the state** and increase the role of the private sector and market forces in their economies.
- many of their exports to the U.S. are **generated by U.S. corporations.**
- **Japan** and the **EC** contribute much more to the U.S. global trade deficit.

Latin American NICs, on the other hand, claim that the U.S. encourages them to **increase** their **trade surpluses** in order to generate the foreign exchange necessary to service their foreign debt.

The NICs' **basic strategy** has been to use their low **labor costs** to gain a comparative advantage in low-valued-added manufactured goods. Once they establish themselves in these sectors, they shift to manufacturing more **sophisticated** goods by **importing technologies** and factories and by upgrading the skills of their work forces.

The East Asian model is **outward oriented** and driven by the **free market**, with emphasis on export-led growth and internal **liberalization**. It generates low inflation, little price distortion, high growth, increasing exports and a low incidence of debt rescheduling.

Latin American model is described as **inward oriented** and characterized by government intervention, with emphasis on **import substitution** and **debt-led development**.

To distinguish East Asia's economic performance is not the dominance of free enterprise but the highly effective **collaboration** between the **private** and **public** sectors.

Remarks:

- The NICs have pronounced reliance on **U.S. markets** and have become excessively dependent on U.S. **macro-economic conditions.**
- **Exports** of manufactured goods have been **a key** to the NICs' economic growth in the past and will continue to be a major factor over the next decade.
- The NICs' reliance on **exports** contributes to the domestic adjustment **problems** already facing U.S. management and labor.
- Bilateral and regional **agreements** will work to the **disadvantage** of the NICs.
- The NICs' **currencies** will play an increasing important role as they emerge as significant players in the global economy. They have to avoid competitive devaluations.
- The NICs **receive the majority** of foreign direct investment in the developing world, but these flows have decreased in recent years **due to failure** to provide adequate protection of intellectual property.
- Serious issues of the distribution of **economic rewards** in the NICs still exist.
- There are **no short-term solutions** to the trade and debt problem facing the developed countries and the NICs.
- There are a number of **policy initiatives:**
  antidumping and countervailing duty laws
  protect intellectual property
  investigation of foreign unfair trading practices
  defend against the subsidy programs
- The **GATT** should be **strengthened** so that it can do more to guard against trade abuses.
- The world organizations such as the **world bank**, the **IMF** should do more to **reduce capital flight**, to keep currencies market oriented.
- It will be necessary to promote an intense **information exchange** and bring together into a cooperative framework of extensive consultation.

3.4. The Later NICs

The **high growth** rates that the early NICs achieved are **not possible** for the later NICs; their growth is being **restricted** by quotas and surveillance in **developed countries**.
For instance, the Multi-Fiber Arrangement has set the potential growth of the later NICs in textiles by operation of quotas, even if these allow for increases over time.

The later NICs have had to accept voluntary quotas before they could reach an optimum level of market which their comparative advantage was highest-labor-intensive manufacturers - have been blocked.

The **early NICs used** a variety of measures-tax exemptions, interest rate subsidies, and other forms of direct and indirect subsidies - to aid their exporters and these were not questioned in the importing countries, but developed countries would **now subject such measures** to surveillance and counteraction.

The conditions for the further expansion and diversification of exports of manufactures have therefore become more restrictive.

IV THAILAND'S DEVELOPMENT POLICY

4.1. An overview

The economy of Thailand has grown strongly for more than 20 years. From a primary product producer and exporter, Thailand has evolved into a major regional manufacturing force. Agriculture now accounts for less than 13% of economic activity while manufacturing contributes more than 26%.

The economic performance of Thailand has been said to be strong and stable. From 1980-1986, real GDP expanded at a rate of 5.5%. The rate increased to 13.2% in 1988, 12.2% in 1989 and 10% in 1990. The economy is expected to grow by 8-9% per annum in the 1990s.

In the 1980s, inflation crept up to relatively high but still manageable levels of 5.4% in 1989 and 6.0% in 1990. Inflation is expected to reach about 6.0% again in 1991.

A key factor in Thailand's economic success has been the stable macroeconomic environment.

Infrastructural facilities have been expanded, agricultural productivity has been improved with a wider range of agricultural production, and manufacturing has grown at a high rate despite relatively low protection. A good performance in agricultural exports has been reinforced by tourism and the growth of manufactured exports.

In the second half of the 1970s, about half a million people from Thailand found work abroad, mainly in the Middle East countries, and also within the region, adding their remittances to other foreign exchange earnings.

In comparison to most developing countries, there is relatively little government intervention in the economy.

Thailand used conventional monetary and fiscal measures to stabilize its economy. Its relative openness meant that the economy was generally healthy.

Thailand can improve its policies in many directions. Savings can be increased to reduce reliance on external borrowing, investment has already reached levels achieved by the NICs.

Improved performance of government investment and reduction of protection for manufacturing could reduce capital intensity, reducing capital output ratios.

Inflow of foreign capital and technology transfer have also contributed significantly to the structural transformation. Net foreign direct investment inflows increased from levels of 200 million US$ in the mid-1980s to over 2 billion US$ in 1990.

These capital inflows have contributed to a healthy balance of payments in recent year. A surplus of over 2 billion US$ was registered in 1990. Official international reserves at the end of the first quarter of 1991 amounted to over 16 billion US$, equal to almost 6 months of imports.

Remarks:

- The proportion of exports taken up by manufactured goods has been growing. This reflects the growing volume of investment which is going into industrial development.
- The economy has been marked by a rapid increase in revenues from tourism.
- Agricultural production has expanded by 3.7 percent, while industrial output has grown by 13.6 percent.
- Construction has been the strongest sector.
- Economists believe that inflation can be contained within the 5 to 6 percent range.
- Foreign investments from the EC, the US and Japan will continue to flow in.
- Thailand's trade performance remains strong. Exports have grown at an annual rate of 19.8 percent, while imports have grown at an annual rate of 20.9 percent.
- Thailand's main trading partners include the EC (20.7%), followed by the US (20%) and Japan (15.9% of total exports). Japan was the leading supplier of goods to Thailand (29.3%), followed by the US (16.8%) and the EC (15.3% of total imports).
- Thailand is the EC's second largest trading partner in ASEAN. Thai manioc exports lead sales in the EC, followed by textiles, gemstones and crustaceans.
- Thailand is the only net food exporter in Asia and agriculture employs some 70 percent of the work force. The agricultural sector produces such products as rice, sugar, maize, cassava and rubber. Thailand produces about 17 percent of the world's rubber.
- Thailand's best hope is the industrial investment. But the most common is the country's notoriously bad infrastructure: particularly Bangkok's supercongested streets, equally crowded ports, and insufficient electricity (brown-out and black-out are back in Thailand).
- According to a recent World Bank report, Thai industry shows few signs of moving up-market. Most Thai companies are weak in searching for, acquiring and adapting foreign technology. They are even weaker in developing their own technology.
- Foreign high-tech companies are put off by the poorly educated workforce (86% of Thais receive no more than elementary education), high import duties on high-tech goods and Thailand's lax respect for copyrights and patents.
- Thailand's cheap labour is still a plus. But Indonesia has cheaper labour and more of it.
- Small investments by family-controlled companies, mainly from Taiwan and Hongkong, aiming to produce everything from toys to fishing nets to frozen seafood to tennis balls have been increasing.

4.2. Key Economic Policies

The aim of the present economic policies is to rationalize the Thai economy. The changes will occur in the tax arena and in the financial sector.

1. Overhauling Taxes

The VAT (value-added tax) is now on the agenda for tax reform. Personal income tax rates will be revised downward to be more in line with the tax scales of ASEAN countries, especially Malaysia and Singapore. Reduction of import duties on machinery and raw materials will also enhance international competitiveness of the Thai industries.

2. Filling the Saving-Investment Gap

Banks and finance companies will be encouraged to offer a broader range of instruments to inspire increased savings by individuals.

The new policies will include adjustment to tax policies on life insurance, privatization of several state enterprises by listing them on the local stock exchange, and additional measures to promote the Securities Exchange of Thailand.

3. Building infrastructure

The government has emphasized its intention to implement key infrastructure projects such as HOPEWELL's sky train project and CP-British Telecom phone project and to urgently develop personnel in science and technology.

4. Continuing prudence in fiscal and monetary policy

Comprehensive foreign exchange liberalization and a continuation of the responsible and stable fiscal and monetary policy will be implemented to support growth in the 1990s.

4.3. Direction of industrial Development

In Thailand, the manufacturing sector today is strong in finished manufacturing operations but less strong in core supply industries. As a result, the Kingdom remains dependent on imports of modern machinery and high value raw materials.

In the 1990s, the comprehensive development of supporting industries and services will be a key component in the industrial policy of the nation. These activities range from basic metal-working to the provision of testing and R&D services.

Investment analysts are beginning to speak of the emerging "Golden Pentagon" which features Thailand at the center of activity, with interests extending into Myanmar, Laos, Vietnam and Cambodia. Representing a market of over 120 million people, the growth of these nations will offer significant business possibilities.

The traditional role of agriculture in Thailand is likely to decline and the use of new technologies to enhance the quality and value-added of agricultural products will increase.

For examples, the transformation of tapioca products into modified starch to support the paper and chemical industries, the improvement of aquaculture technologies to increase yields and quality, and the development of new chemicals to enable the increasing use of natural rubber.

The government has also singled out the environment as a key concern and will actively encourage projects which introduce technologies or processes that are environmentally sound.

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Selected South-East Asian economies. Macro-economic data, 1985-1990

(Percentage)

		1985	*1986*	*1987*	*1988*	*1989*	*1990*[a]
South-East Asia							
Indonesia	Real income growth	2.5	55.9	5.0	5.7	6.9	7.0
	Savings	29.7	27.2	32.7	32.8	33.7	37.2
	Investment	27.9	28.9	31.2	30.2	31.1	28.1
	External current account balance	-2.2	-5.1	-3.0	-1.9	-2.4	...
	Budgetary balance	-3.7	-5.6	-4.9	-7.2	-7.2	...
	Money supply growth (M1)	17.7	15.6	8.6	13.5	18.1	...
	Change in consumer price index	4.3	8.8	8.9	5.5	6.0	7.0
Malaysia	Real income growth	-1.0	1.2	5.3	8.7	8.5	9.2
	Savings	32.7	32.1	37.3	36.4	33.5	...
	Investment	27.6	26.0	23.4	26.1	27.9	...
	External current account balance	-2.1	-0.6	8.1	5.0	-0.7	...
	Budgetary balance	-7.4	-10.5	-7.7	-4.3	-5.2	...
	Money supply growth (M1)	1.7	7.0	12.8	14.4	2.5	...
	Change in consumer price index	0.3	0.6	0.8	2.6	4.1	5.5
Philippines	Real income growth	-4.3	1.4	4.7	6.4	5.7	2.7[b]
	Savings	16.3	16.5	17.5	18.1	17.4	...
	Investment	13.9	12.9	16.0	17.3	18.8	...
	External current account balance	-0.1	3.2	-1.4	-1.0	-3.1	...
	Budgetary balance	-1.8	-5.0	-2.9	-2.5	-1.9	...
	Money supply growth (M1)	6.5	19.1	22.9	13.9	14.7	...
	Change in consumer price index	23.2	0.8	3.8	8.7	10.6	12.7
Singapore	Real income growth	-1.6	1.8	9.4	11.1	9.2	8.3
	Savings	40.6	38.9	39.8	40.7	41.6	...
	Investment	42.5	38.2	39.1	36.6	38.3	...
	External current account balance	0.0	1.9	2.4	5.6	8.9	...
	Budgetary balance	-1.8	-1.4	-4.0	2.8	1.2	...
	Money supply growth (M1)	-0.9	11.8	12.3	8.4	10.4	...
	Change in consumer price index	4.1	-1.4	0.5	1.5	2.8	3.0
Thailand	Real income growth	3.5	4.9	9.5	13.2	12.2	9.5
	Savings	20.6	22.2	24.7	27.0	28.1	...
	Investment	24.0	22.0	25.8	27.5	29.4	...
	External current account balance	-4.4	0.2	-1.0	-3.1	-3.8	...
	Budgetary balance	-4.2	-3.2	-0.6	2.5	4.4	...
	Money supply growth (M1)	-3.3	20.5	20.0	12.2	18.3	...
	Change in consumer price index	2.5	1.8	2.6	3.8	5.8	6.6

Sources: Asian Development Bank, *Asian Development Outlook 1990*; IMF, *International Financial Statistics* (Washington, D.C., November 1990); and national sources.

Notes: Growth in real income indicates rates of change in gross domestic product (GDP) over the previous year or the period indicated. Real income calculations are on different base-year prices in different cases. Money supply growth and consumer price index are also annual percentage changes over the previous year or for the period indicated.

Figures on savings, investment, and the current account and budgetary balances are percentages of GDP.

[a] Figures are estimates and forecasts. [b] First half.

Selected East Asian economies. Macro-economic data, 1985-1990

(Percentage)

	1985	1986	1987	1988	1989	1990[a]
China						
Real income growth[b]	13.1	7.9	10.2	11.2	3.6	5.0
Savings	34.5	35.5	35.9	35.6	36.5	34.5
Investment	38.6	38.7	37.2	37.6	37.0	35.5
External current account balance	-4.8	-3.1	0.1	-1.2	-1.3	...
Budgetary balance	-6.8	-2.1	-2.2	-2.5	-2.7	...
Money supply growth (M1)	20.0	27.9	18.5	20.0	16.3	...
Change in consumer price index	11.9	7.0	8.8	20.7	17.8	3.3[c]
Hong Kong						
Real income growth	-0.1	11.9	13.9	7.9	2.3	2.5
Savings	27.3	28.6	32.8	33.0	33.5	33.3
Investment	21.7	24.0	26.9	28.0	27.1	26.2
External current account balance	6.2	5.2	6.4	5.7	5.6	...
Budgetary balance	0.6	1.3	3.2	3.9	0.6	...
Money supply growth (M1)	23.0	23.9	46.0	8.5	10.3	...
Change in consumer price index	2.1	4.4	2.8	7.5	10.0	7.0
Republic of Korea						
Real income growth	6.9	12.4	12.0	11.5	6.1	8.8
Savings	29.1	32.8	36.2	38.1	36.3	32.2
Investment	29.9	28.9	29.6	30.7	34.7	35.7
External current account balance	-1.0	4.4	7.5	8.3	2.3	...
Budgetary balance	-1.2	-1.0	1.5	1.3	1.2	...
Money supply growth (M1)	10.0	16.6	14.7	20.2	17.9	...
Change in consumer price index	2.5	2.8	3.0	7.2	5.7	9.2

Sources: Asian Development Bank, *Asian Development Outlook 1990*; IMF, *International Financial Statistics* (Washington, D.C., November 1990); and national sources.

Notes: Growth in real income indicates rates of change in gross domestic product (GDP) over the previous year or the period indicated. Real income calculations are on different base-year prices in different cases. Money supply growth and consumer price index are also annual percentage changes over the previous year or for the period indicated.

Figures on savings, investment, and the current account and budgetary balances are percentages of GDP.

[a] Estimates/forecasts. [b] Gross national product (GNP). [c] Average rate of urban inflation for the first 8 months.

Selected economies in the ESCAP region. Per capita and household incomes and distribution

Economy	GNP per capita, US dollars, 1980	GNP per capita, US dollars, 1988	GDP per capita of lowest 40 per cent of households (US dollars) 1987	Year	Percentage share of household income, by quintiles[a]: Lowest 20 per cent	Second quintile	Third quintile	Fourth quintile	Highest 20 per cent
Developed economies									
Australia	10 270	12 340	4 270	1985	4.4	11.1	17.5	24.8	42.2
Japan	9 870	21 020	8 630	1979	8.7	13.2	17.5	23.1	37.5
New Zealand	6 910	10 000	3 060	1981/82	5.1	10.8	16.2	23.2	44.7
Developing economies									
China	290	330	...		...	...	...	...	...
Hong Kong	5 210	9 220	3 270	1980	5.4	10.8	15.2	21.6	47.0
India	220	340	120	1983	8.1	12.3	16.3	22.0	41.4
Indonesia	480	440	160	1987	8.8	12.4	16.0	21.5	41.3
Iran, Islamic Republic of	...	...	...		...	...	...	...	...
Malaysia	1 680	1 940	510	1987	4.6	9.3	13.9	21.2	51.2
Pakistan	290	350	...	1984/85	7.8	11.2	15.0	20.6	45.6
Papua New Guinea	760	810	...		...	...	...	...	...
Philippines	700	630	120	1985	5.5	9.7	14.8	22.0	48.0
Republic of Korea	1,620	3,600			...	...	...	...	...
Singapore	4 570	9 070	1 200	1982/83	5.1	9.9	14.6	21.4	48.9
Sri Lanka	260	420	160	1985/86	4.8	8.5	12.1	18.4	56.1
Thailand	670	1 000	320		...	...	...	...	...
Least developed countries									
Afghanistan	...	250[b]	...		...	...	...	...	...
Bangladesh	140	170	70	1981/82	9.3	13.1	16.8	21.8	39.0
Bhutan	...	180	...		...	...	...	...	...
Lao People's Democratic Republic	...	180	...		...	...	...	...	...
Myanmar	180	260[c]	...		...	...	...	...	...
Nepal	130	180	...		...	...	...	...	...

Sources: World Bank, *World Development Report 1990* (New York, Oxford University Press, 1990), and *World Tables 1987*, 4th edition.

[a] Years vary from 1985-1987. [b] 1985. [c] 1987.

Selected developing economies in the ESCAP region. Some indicators of agricultural inputs and endowment, 1978-1988

	Irrigation area (millions of hectares)	*Irrigation ratio (per cent)*		*Annual growth rate (1978-1988)*		*Agriculture sector*		
						Land per capita (hectare)		*Share of labour force*[a]
	1988	*1978*	*1988*	*Irrigation area*	*Fertilizer use per hectare*	*1978*	*1988*	*1988*
Newly industrializing economies								
Hong Kong	–	–	–	–	–	0.06	0.09	1.3
Republic of Korea	1.4	59.0	63.6	0.4	-0.0	0.15	0.21	26.8
Singapore	–	–	–	–	–	0.14	0.07	1.1
China	44.9	45.2	46.5	-0.1	8.9	0.18	0.13	68.9
ASEAN								
Indonesia	7.5	27.3	35.3	3.5	11.6	0.22	0.26	50.2
Malaysia	0.3	6.7	7.0	0.7	6.9	0.76	0.92	33.9
Philippines	1.5	14.7	18.8	2.9	4.3	0.34	0.28	47.7
Thailand	4.1	14.6	20.1	4.5	9.0	0.52	0.60	65.7
South Asia and Islamic Republic of Iran								
India	41.8	21.7	24.7	1.3	8.0	0.39	0.33	67.1
Islamic Republic of Iran	5.8	37.7	38.8	0.2	12.7	1.06	0.99	29.1
Pakistan	15.7	71.4	75.0	0.9	6.7	0.47	0.34	50.7
Sri Lanka	0.6	28.4	29.0	0.3	4.5	0.25	0.22	52.0
Least developed countries								
Afghanistan	2.7	32.3	33.0	0.2	–	0.49	0.96	56.0
Bangladesh	2.2	16.0	23.9	4.3	8.3	0.13	0.12	69.9
Bhutan	–	22.0	26.2	2.7	–	0.10	0.10	91.1
Lao People's Democratic Republic	0.1	9.0	13.3	4.4	7.2	0.33	0.32	72.4
Myanmar	1.0	9.8	9.9	0.2	2.3	0.56	0.52	48.0
Nepal	0.7	17.6	28.0	4.9	11.4	0.18	0.14	92.0

Source: Food and Agriculture Organization, *Production Yearbook*, vols. 34 and 43 (1981 and 1989), and *Fertilizer Yearbook*, vol. 39 (1989).

[a] As a percentage of the total labour force, 1988.

Selected developing economies in the ESCAP region. Indicators of educational achievement

	Enrolment ratio 1987			*Primary pupil to teacher ratio 1985-1988*	*Drop-out rate*[a] *1985-1987*	*Estimates for primary drop-out 1990*
	Primary	*Secondary*	*Tertiary*			
Afghanistan	...	...	...	37	37	76
Bangladesh	59	18	5	59	80	2 593
Bhutan	24	4	–	37	...	17
China	132	43	2	24	32	3 537
Hong Kong	106	74	...	27	2	6
India	98	39	...	46	...	12 390
Indonesia	118	46	...	28	20	1 392
Iran, Islamic Republic of	114	48	5	26	17	302
Lao People's Democratic Republic	111	23	2	25	86	147
Malaysia	102	50	7	22	3	9
Mongolia	...	...	...	32	...	6
Myanmar	...	...	...	45	73	824
Nepal	82	26	5	35	73	355
Pakistan	52	19	5	41	51	1 128
Papua New Guinea	70	12	2	31	33	31
Philippines	106	68	38	32	25	657
Republic of Korea	101	88	36	–	1	101
Singapore	...	...	...	27	5	2
Sri Lanka	104	66	4	32	12	45
Thailand	95	28	20	20	36	508
Viet Nam	102	42	...	34	50	387

Source: UNDP, *Human Development Report 1990* (New York, Oxford University Press, 1990); UNESCO, Principal Regional Office for Asia and the Pacific estimates and projections as assessed in March 1990; and World Bank, *World Development Report 1990* (New York, Oxford University Press, 1990).

[a] Percentage of grade 1 enrolment not completing primary school.

Selected developing economies in the ESCAP region. Incidence of adult literacy

	Adult literacy rates (percentage of those 15 year and older)										Number of adult illiterates 1990[a] (thousands)	Out-of-school children 1986-1988 (millions)
	1970			1980			1985			1990a		
	Male	Female	Total	Male	Female	Total	Male	Female	Total	Total		
Afghanistan	13	2	8	26	6	16	39	8	24	29.4	8 289	3.4
Bangladesh	36	12	24	43	20	32	43	22	33	35.3	43 630	19.0
Bhutan	...	...	...	...	...	—	...	...	...	38.4	542	0.3
Cambodia	...	23	...	78	39	59	85	65	75	...	...	...
China	...	...	...	—	...	...	82	56	69	73.5	195 540	40
Fiji[b]	...	...	...	84	74	79	...	...	...	87.1	58	—
Hong Kong	90	64	77	94	77	86	95	81	88	90.2	391	0.1
India	47	20	34	55	29	42	57	29	43	48.3	280 109	10.0
Indonesia	66	42	54	77	58	68	83	65	74	77.1	24 440	17.0
Iran, Islamic Republic of	40	17	29	55	30	43	62	39	51	54.0	13 679	2.5
Lao People's Democratic Republic	37	28	33	51	36	44	92	76	84	60.0	834	0.3
Malaysia	71	48	60	79	61	70	81	66	74	78.7	2 358	0.9
Mongolia	87	74	81	93	86	90	95	90	93	96.2	72	0.0
Myanmar	85	57	71	—	...	—	...	—	...	80.6	4 882	4.2
Nepal	23	3	13	34	6	20	39	12	26	25.6	8 526	2.2
Pakistan	30	11	21	39	18	29	40	19	30	34.9	43 987	23.0
Papua New Guinea	39	24	32	48	30	39	55	35	45	52.0	1 048	0.6
Philippines	84	81	83	90	88	89	86	85	86	89.9	3 762	1.5
Republic of Korea	94	81	88	96	88	92	96	91	...	96.7	1 057	0.2
Singapore	92	55	74	88	70	79	93	79	86	90.7	168	0.0
Sri Lanka	85	69	77	87	76	82	91	83	87	88.6	1 294	0.6
Thailand	86	72	79	93	83	88	94	88	91	93.3	2 514	5.2
Vanuatu[b]	...	...	...	57	48	53	...	—	—	—	...	—
Viet Nam	—	...	...	—	...	—	88	80	...	90.0	3 648	5.5

Sources: UNDP, *Human Development Report 1990* (New York, Oxford University Press, 1990); UNICEF, *The State of the World's Children 1984, 1986* and *1990*, (Oxford University Press); UNESCO, Office of Statistics; national statistical publications; and UNESCO Principal Regional Office for Asia and the Pacific estimates and projections as assessed in March 1990.

[a] Estimates. [b] 1980-1983.

Selected economies in the ESCAP region. Types of formal social security programmes, 1987

	Old age, survivors and invalidity	*Sickness and maternity*	*Work injury*	*Unemployment*	*Family allowances*
Developed economies					
Australia	X	X	X	X	X
Japan	X	X	X	X	X
New Zealand	X	X	X	X	X
NIEs and China					
Hong Kong	X	X	X	X	
Republic of Korea		X	X		
Singapore	X		X		
China	X	X	X	X	
ASEAN					
Indonesia	X	X	X		
Malaysia	X		X		
Philippines	X	X	X		
Thailand			X		
South Asia and the Islamic Republic of Iran					
India	X	X	X		
Pakistan	X	X	X		
Sri Lanka	X		X		
Iran, Islamic Republic of	X	X	X		X
LDCs[a]					
Afghanistan			X		
Bangladesh					
Kiribati	X		X		
Myanmar		X	X		
Nepal	X		X		
Samoa	X		X		
Pacific Islands					
Fiji	X		X		
Papua New Guinea	X		X		
Solomon Islands	X		X		

Sources: United States, Department of Health and Human Services, *Social Security Programs Throughout the World - 1987*, Research Report No. 61.

[a] Least developed countries.

THAILAND Standing Out in Asia

Key Macroeconomic Indicators	1988	1989	1990	1991 (estimate)
Real GDP growth - Total	13.2%	12.0%	10.0%	8.5%
- Agriculture and Mining	11.5%	8.1%	1.3%	3.0%
- Industry	17.5%	15.9%	15.2%	10.5%
- Trade and Services	11.7%	11.5%	10.3%	9.5%
Population - level (mil. persons)	55.0	55.9	56.7	57.6
GDP per capita (US$)	1,084	1,236	1,413	1,661
Labour force (mil. persons)	29.9	30.9	31.8	32.6
Exports - growth	33.9%	27.7%	15.7%	20.0%
Imports - growth	46.6%	29.8%	27.4%	24.0%
Current account balance (bil. US$)	-1.65	-2.54	-6.10	-7.5
(as percent of GDP)	-2.8%	-3.7%	-7.6%	-8.0%
Overall balance of payments (bil. US$)	1.60	4.34	2.23	4.00
Official reserves (bil. US$)	7.11	10.51	14.30	15.6*
(in months of imports)	4.31	4.98	5.30	5.00
Total debt service ratio	12.9%	10.6%	8.8%	n.a.
Price change - consumer	3.8%	5.4%	6.0%	6-7%
Fiscal surplus (bil. US$)	1.20	2.31	4.04	n.a.
(as percent of GDP)	2.0%	3.3%	5.0%	n.a.

Direct Foreign Investments in Thailand

Net inflow of foreign direct investment in Thailand classified by countries

(Million Bt.)

	1980	1981	1982	1983	1984	1985	1986	1987	1988
TOTAL	3,878.2	6,414.4	4,331.4	8,224.8	9,638.0	4,402.2	6,908.1	9,043.7	28,243.8
Japan	902.9	1,407.0	1,037.3	2,431.9	2,588.1	1,534.0	3,049.0	3,268.7	14,591.3
S. Korea	9.7	0.1	0.0	20.6	4.9	(3.4)	4.6	22.3	298.4
Taiwan	1.9	11.9	2.0	28.8	45.0	170.6	132.6	687.3	3,161.4
Hong Kong	1,113.7	323.3	593.4	870.9	351.8	649.0	955.7	796.2	3,053.9
Singapore	273.3	1,018.8	(387.5)	556.1	1,121.3	(1,121.9)	403.1	535.3	1,520.7
Malaysia	151.2	3.1	9.1	158.3	29.7	19.1	7.9	(9.2)	47.1
U.S.A.	732.4	2,395.8	857.3	1,265.8	3,733.2	2,387.5	1,293.7	1,815.7	3,178.6
Canada	(43.1)	3.7	6.9	74.6	103.7	36.8	36.2	11.2	59.4
Australia	39.1	85.5	79.3	183.4	20.8	(79.1)	146.4	25.7	41.5
E.E.C.	535.4	776.81	1,489.4	2,117.7	374.6	425.6	508.9	940.2	2,223.3
detail :									
U.K.	82.5	334.8	182.1	793.4	257.1	121.6	251.7	328.9	884.9
W. Germ.	261.8	179.1	182.2	236.9	18.3	166.3	160.3	448.1	621.4
France	12.9	(3.2)	17.3	45.5	89.6	143.1	91.0	132.9	282.9
Netherl.	22.0	77.3	1,066.8	1,029.8	(57.2)	(42.1)	(56.3)	74.4	289.3
Italy	153.5	158.1	44.2	7.1	22.4	11.2	79.2	7.3	28.6
Luxemb.	0.0	0.0	0.0	0.0	1.0	1.0	4.6	(5.8)	29.4
Denmark	(1.0)	5.9	(13.2)	(41.9)	(6.4)	5.7	(61.6)	(31.0)	(13.6)
Belgium	3.5	24.8	8.9	43.9	49.5	5.2	40.0	(16.3)	100.2
Spain	0.0	0.0	1.1	0.0	0.3	13.6	0.0	1.7	0.2
Portugal	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Greece	0.2	0.0	0.0	3.0	0.0	0.0	0.0	0.0	0.0
Ireland	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Others	157.7	388.4	644.2	517.2	1,264.9	384.0	370.0	950.3	68.2

* Equity & loans from parent or related companies, including capital funds of foreign commercial banks.

Source : Bank of Thailand

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